

Monthly Review

FEDERAL RESERVE BANK OF SAN FRANCISCO **MAR 10 1945**

JANUARY 1945

FEDERAL RESERVE BANK
OF PHILADELPHIA

Review of Economic Conditions in 1944

Industry and Trade

DURING 1944, economic developments in the Twelfth District continued to be dominated by war production and military expenditures, with activity in most segments of industry remaining on a high wartime level. Total production was somewhat inadequate for wartime needs, the most marked deficiencies appearing in the mining and some other extractive industries. As in previous war years, shortages of qualified workers, the concern of almost every employer, were unquestionably a hindrance to scheduled production. Industrial employment, which had begun to decline in mid-1943, receded further in 1944 despite energetic recruitment programs, patriotic appeals to stay on the job, and more stringent regulations of the War Manpower Commission designed to curtail labor turnover and to funnel available labor supplies to essential activities.

Except for manpower difficulties, most major obstacles in the war production program had been surmounted by the beginning of 1944. Plant facilities had been largely completed, supplies of many critical materials including steel and the light metals had been eased, and the operations of direct war supply plants had attained fairly high levels of efficiency, as compared with those of the earlier expansion period. Stocks of munitions and supplies had been built up and military progress abroad made to the point where Government agencies felt it safe to undertake war supply procurement programs of a more selective character. Greater regard was given, for example, to the development and production of larger, more complex ships and aircraft, than to volume output of established types. As a result cutbacks in the scheduled production of equipment made obsolete by swiftly changing experience in the war theaters and altered production programs, some of which required construction of additional facilities, were necessary.

The transition from an unprecedented upsurge of industrial activity fraught with a sense of emergency to a relatively stable war economy marked by downward as well as upward adjustments in production had its reflection in the public's attitude toward current events. The hope of increased civilian production and, in some cases, of reconversion was supported by the easing of the ma-

terials situation and by small upturns in the manufacture, as allowed by the WPB, of a limited number of civilian items. By August, the European military situation had improved sufficiently, so it was thought, to indicate the need at that time for planning for the larger scale production of civilian goods that could be expected after the fall of Germany. The War Production Board accordingly issued several regulations designed to permit, in cases

ESTIMATED VOLUME OF INDUSTRIAL OUTPUT—TWELFTH DISTRICT
(expressed as percentages of 1939 output)

	1929	1933	1937	1938	1939	1940	1941	1942	1943	1944
Lumber	134	57	102	81	109	110	r130	r129	124	126
Refined oils	121	80	162	99	100	99	108	110	121	141
Motion pictures (cost)	69	52	92	95	100	100	123	123	133	180
Smelting and refining	128	40	115	81	100	125	141	152	170	161
Paper	78	67	99	86	100	112	127	127	118	125
Pulp	55	55	108	77	100	130	143	141	110	118
Automobile assemblies	100	48	135	79	100	136	151	1	1	1
Rubber tires	100	58	123	76	100	105	107	1	1	1
Aircraft	10	10	43	62	100	167	575	r1782	3320	3709
Shipbuilding ²	0	0	0	0	5	100	1620	4314	2867	
Steel ingots	87	55	102	74	100	118	134	156	205	292
Cement	97	48	98	80	100	109	144	171	141	113
Canned fruit	80	77	108	74	100	91	r117	116	91	121
Canned vege- tables	81	55	124	94	100	131	165	176	198	215
Canned fish	96	78	109	97	100	101	118	93	89	89
Meat	84	93	98	98	100	114	112	120	132	157
Sugar	82	94	82	92	100	100	86	94	94	84
Flour	94	79	92	90	100	96	97	97	107	111
Butter	90	101	97	101	100	105	101	89	80	71
Cheese	61	78	91	99	100	103	119	128	121	123
Ice cream	84	47	96	87	100	106	121	r163	203	1
Fish meal	47	55	97	94	100	73	94	65	71	82
Fish oil	35	43	72	76	100	61	94	92	102	133
Glass containers	55	61	116	91	100	112	153	202	254	272
Wool consump- tion	89	97	102	89	100	105	114	140	168	163
Copper	129	21	112	72	100	117	133	154	158	139
Lead	178	78	123	100	100	116	116	121	107	94
Zinc	103	58	119	99	100	146	159	168	172	185
Gold	39	37	85	88	100	105	103	74	35	28
Silver	94	38	115	101	100	104	102	88	68	56
Petroleum	130	77	106	111	100	99	103	111	127	139
Natural gas	98	75	95	90	100	101	107	113	128	142
Coal	154	81	116	91	100	105	118	153	161	163

¹Not available.

²Maritime Commission program only. Deadweight tonnage delivered, 1941 = 100.

r Revised.

where the war effort would not be endangered, the manufacture of certain heretofore restricted civilian commodities under specific or "spot" authorization. Little progress was made in this direction, however, owing principally to the press of war orders.

Fresh manpower demands to meet new expansion programs of the Army and Navy further discouraged the resumption of civilian production. On December 1 the

★ For Victory ★ Buy War Bonds ★ Keep Them ★

WPB and several other interested Government agencies issued a joint statement suspending for a period of 90 days all spot authorizations in more than 100 industrial areas, including all areas of acute labor shortage, except in unusual cases. These included 13 important industrial areas in the Twelfth District. Soon thereafter the German breakthrough into Belgium occurred, and plans for conversion to civilian production were thrust into the indefinite future.

Manpower Problems

Conditions in 1944 which gave rise to the short-lived movement toward reconversion reacted adversely upon the industrial labor situation. Wartime economic developments necessarily hinge on the degree of control exercised by Government, and one objective of the present war effort is to meet military obligations as fully as possible with a minimum of interference with civilian activities. A common reaction to recurring beliefs that an end of the war in Europe is imminent has been the shift of war workers to jobs purporting to offer a greater measure of postwar security. This movement has been probably the most important single cause of employment declines in the two major Twelfth District war industries since mid-1943; less directly it has meant production losses in the older established industries.

Manpower shortages in 1944 were local rather than over-all; the total labor force was adequate for the maintenance of the war production program and essential civilian activities. The chief difficulty was in placing qualified workers in jobs where, with regard to the effective prosecution of the war, they could be most advantageously utilized. In the absence of a manpower draft, worker placement could not be done except by persuasion, such control as could be evolved from a system of employment referrals, and threats to induct able-bodied men who proposed to remain in, or transfer to, less essential employment.

Total nonagricultural employment in the Twelfth District declined from 4,100,000 in December 1943 to 3,900,000 in December 1944. Of the decrease of 200,000 workers, nearly all were in manufacturing. Total employment in other nonagricultural activities showed practically no net change over the year. The 200,000 manufacturing workers were largely aircraft and shipyard employees, and many of these may be presumed to have left the District.

The number of women wage-earners employed in durable goods industries advanced in 1943, principally because of increased hiring in shipyards, while male employment was levelling off. In 1944, however, female employment receded 22 percent, about the same rate as the decline in male employment. In California, 66,000 women were employed in aircraft plants during December 1944, compared with 96,000 in December 1943 and a peak of 103,000 in the spring of 1943. Shipyard employment declined from a peak of 41,000 in December 1943 to 32,000 a year later. In 1944 female wage-earner employment in

California iron and steel, machinery, and wood products plants was comparatively stable, although at levels much lower than in the two major war industries.

Because of advances in productivity and adjustments in production schedules the number of additional persons needed for essential work at the end of 1944 was far less than the number lost by industry over the year, particularly in lines where the bulk of worker quits occurred. Probably not more than 100,000 new qualified workers, if advantageously placed, would permit the reaching of desired levels of output in essential industries operating in late 1944 at reduced levels because of manpower shortages. Certain essential District industries, including lumbering, mining, and transportation, lost large numbers of experienced employees, who have never been adequately replaced, early in the war period.

The Principal War Industries

Employment in the District aircraft industry reached a peak of 315,000 in mid-1943, and subsequently declined to a level averaging 231,000 during the last few months of 1944, a period of comparative stability. The greater part of the loss of workers was offset in 1944 by more efficient operations, but production of certain aircraft types, including the Boeing B-29 (Superfortress), failed to meet military schedules during the year. The number of aircraft produced at District plants during 1944 was slightly less than in 1943. Reflecting an increase in average weight per airframe of 17 percent, however, the total tonnage produced attained a new high and was about a third of the national tonnage figure.

AIRCRAFT ACCEPTANCES—1942-44
(excluding spares)

	Number of airframes			Weight of airframes (millions of pounds)			Average weight of airframes (thous. of pounds)		
	12th Dist.	Other U. S.	Total U. S.	12th Dist.	Other U. S.	Total U. S.	12th Dist.	Other U. S.	Total U. S.
1942...	17,711	30,162	47,873	164.0	89.1	253.1	9.2	3.0	5.3
1943...	26,612	59,334	85,946	305.5	340.4	645.9	11.5	5.7	7.5
1944...	25,189	71,180	96,369	341.3	621.9	963.2	13.5	8.7	10.0

Source of basic data: U. S. Army Air Forces.

The number of planes scheduled for production in the United States during 1945 was set at 78,227 late in December. Although this represents a decline of more than 18,000 aircraft from 1944 output, increased emphasis on the 25-ton Superfortress, new heavy fighters, and long-range transports indicates that output measured in weight, if held to schedule, will not undergo the same relative decline.

Manpower losses were one of the principal concerns of the shipbuilding industry in 1944, although both in absolute and relative terms employment declines at Pacific Coast yards were smaller than in the aircraft industry. Including both private yards and Government establishments, an average of about 530,000 persons were employed in the last quarter of 1944, compared with a peak of about 610,000 reached in the third quarter of 1943. With employment over the year about 10 percent below that of 1943, the shipyards building vessels for the Maritime Commission produced about one-third less tonnage,

measured in deadweight tons, and about one-eighth less tonnage, measured in lightweight displacement tons, in 1944 than in 1943. The emergency-type cargo program came to an end for Pacific Coast yards with delivery of the final Liberty ship in July 1944; the West Coast yards formerly concentrating on that type switched their facilities to faster cargo ships of the Victory type and to military types such as transports, hospital ships, and combat cargo ships. Though having less cargo-carrying capacity than the Liberty ship, these ships all are of more complex design and require correspondingly more man-hours to build.

SHIP DELIVERIES¹—PACIFIC COAST

	Number			Deadweight tons ² (in thousands)			Lightweight displacement tons ² (in thousands)		
	12th Dist.	Other U. S.	Total U. S.	12th Dist.	Other U. S.	Total U. S.	12th Dist.	Other U. S.	Total U. S.
1942..	368	378	746	3,920	4,171	8,091	1,351	1,890	3,241
1943..	938	958	1,896	9,480	9,759	19,239	3,611	3,168	6,779
1944..	646	1,031	1,677	6,300	10,043	16,343	3,158	3,765	6,923

¹ Maritime Commission program only; wooden tugs and barges excluded. Tonnage estimated.

² Cargo-carrying capacity in long tons.

³ The weight of water displaced by ships without cargo; i. e., the weight of the unloaded ship itself.

Ship repair and maintenance work greatly increased in importance during the past year. In 1945 it is anticipated that the shift to repair work on the Pacific Coast will be intensified to meet the needs of naval vessels and merchant shipping in the Pacific area, and that the number of new ships to be built will probably be proportionately less than at yards elsewhere in the country. Scheduled for 1945, however, is the continued construction of a substantial number of tankers, cargo-type Victory ships, and long-range program dry cargo ships.

Other Industries

Lumber production was slightly higher in 1944 than in 1943, an estimated 14.5 billion feet having been cut, compared with 14.3 billion in 1943, 14.9 billion in 1942, and 15.0 billion, the largest output during the past decade, in 1941. The small increase in 1944 largely reflected unusually high activity early in the year; more recently production has been lower than at any time since before the war despite a volume of unfilled orders which remains well above the 1.5 billion mark reached shortly after war began. Mill stocks continue at abnormally low levels.

At the end of 1944, lumber requirements for military and essential civilian purposes were higher, in relation to available supplies, than at any time since the beginning of the war. Lack of manpower in the woods and mills remains the chief obstacle to increased production, and shortages of heavy duty truck tires have also contributed. A general decline in production from a year earlier is anticipated during the first quarter of 1945, with the most marked drop expected in the Pacific Northwest where the greater part of the Twelfth District cut is obtained. Anticipated requirements during the first quarter of 1945 for Western Pine lumber, which is used extensively for boxing and crating, are more than 100 percent in excess of expected supplies.

Nearly three-fourths of paper and paperboard output

is used in war production and other essential activities. Despite measures limiting the use of pulp and paper, supplies remained below demand during 1944, principally because of manpower shortages in pulpwood production. Approximately 1,390,000 tons of paper and paperboard were produced in the Twelfth District during 1944. Output was 6 percent above the 1943 level but slightly below the 1941-42 average. Production of wood pulp increased moderately, owing chiefly to the reopening of a Tacoma mill which had been closed in 1942 to conserve logs for sawmill use. Part of the supply of western pulp is used for ordnance purposes and this reduces the amount of market pulp available for paper production. An increasing shortage of paper for civilian consumption is indicated for the first quarter of 1945.

Daily average production of crude petroleum was advanced to 852,000 barrels in 1944, a 9 percent increase over the output of 779,000 barrels per day in 1943, as a result of new well completions, the reconditioning of old wells, and production from established reserves at higher than maximum efficient rates. Drilling was more active than in other recent years, and a net increase of 1,700 active wells, largely small producers by prewar standards, was added to the list of producers which totaled 21,600 in December.

In view of the substantial movement of oilfield workers to the shipyards and other higher-paying industries earlier in the war, employment in crude petroleum producing has been remarkably stable. The number of wage-earners employed in California fields fluctuated between 13,000 and 14,000 from October 1943 to December 1944. A low point of 11,800 was reached early in 1943. Refinery employment has exceeded 13,000 since August 1944, compared with an average of 9,500 in 1943 and even lower levels in back years.

The demand for and supply of principal petroleum products were in better balance during 1944 than in 1943. Military gasoline requirements expanded sharply further, but production was also pushed to new highs, and total stocks displayed little net change during the year, safely above minimum working inventories. Tank car shipments of gasoline from the Middle West averaged 522,000 barrels per month in 1944, an increase of 350,000 barrels over 1943 shipments. Before 1940 gasoline entering the Twelfth District from other domestic sources averaged less than 10,000 barrels per month.

After reaching a record peak in December 1943, total demand for Pacific Coast heavy fuel oil by the Navy, merchant vessels, the railroads, and industry fell off sharply in 1944. As a result, inventories, which had been declining sharply and were at dangerously low levels last spring, were built up by the end of 1944 to the level of a year earlier.

Operations at District mines, mills, and smelters were hampered by a serious labor shortage during 1944. Copper production declined to 1,440 million pounds, compared with 1,633 million in 1943, and was the lowest since 1941 despite an expansion of mine facilities in Ari-

zona, the largest producing state in the country. Lead production also declined sharply to the lowest level since 1935, but output of zinc increased moderately to a new high level, principally because of increased mill capacity in Nevada and sharply increased output of zinc-lead ore from two Arizona mines.

According to the WPB, copper production is likely to continue to decline in 1945, even though requirements for army ammunition will bring total demand above the 1944 peak rate. Copper needs not supplied by domestic mines will be met by imports, which for the first time are expected to exceed domestic output. The lead situation is expected to be tighter in 1945, but zinc supplies are expected to be adequate.

Reflecting continued restrictions, gold production reached the lowest level in many years. In California, formerly the leading gold-producing state, output was the lowest since 1848. Most gold and silver produced in 1944 were obtained as by-products of essential base metal output. Mercury production declined sharply in 1944 as reduced consumption and large stocks at the beginning of the year forced prices down and discouraged mine operations. There has been a sharp increase in mercury prices in recent weeks, however, with a new demand that has arisen out of the use of mercury in dry cell batteries.

A surplus of aluminum resulted in the closing down of five Government-owned reduction plants in 1944, including two in the Twelfth District. Supplies of magnesium are also ample, and a number of plants producing primary magnesium, including three Government plants in the Twelfth District, were closed in 1944. At the end of the year two aluminum reduction plants and one primary magnesium plant, all privately owned, were operating.

Steel ingot production in the Twelfth District has jumped sharply since 1942, owing principally to the opening of the Fontana plant, having an annual capacity of 675,000 net tons, in May 1943, and of the Geneva plant, having an annual capacity of 1,280,000 net tons, in February 1944. District production in 1944 totaled 2,300,000 tons, compared with 1,600,000 tons in 1943, and 1,200,000 tons in 1942. The greater part of the increased ingot output has been rolled into ship plates. In recent months the Fontana plant has been manufacturing steel shell projectiles in large volume, in addition to ship plates.

Operations in the Pacific Coast Portland cement industry contracted sharply in 1944 as new construction dwindled, and by the end of the year mills were operating at only slightly over 50 percent of capacity. Output for the year was about the same as in 1940 and a third less than in 1942, the peak year when huge amounts of cement were used in war construction. The outlook for cement, aggregates, and other materials for heavy construction appears to be unfavorable for the duration of the war.

Although regional figures on total construction are not available, data on building activity in urban areas offer a definite indication of changes in construction activity. As shown in the accompanying table, new private residential building increased moderately in 1944 as compared with 1943, while Federally-financed housing declined sharply.

Private and Federal housing combined, in 1944, was roughly one-fourth to one-third the prewar volume. In both years new private nonresidential construction in urban areas was negligible by prewar standards. Industrial and nonindustrial facilities financed by the Army, Navy, and other war agencies in 1944 were about the same as in 1943 but were less than a third of the 1942 volume.

WESTERN BUILDING CONSTRUCTION—1943-44

Estimated value of building construction in urban areas of the western states¹
(thousands of dollars)

	First ten months ²		
	1944	1943	Percent change
All building construction ³	276,540	264,670	+ 4
Federal	98,100	130,100	-25
Non-federal	178,440	134,570	+33
Residential construction	104,370	146,930	-29
Federal	9,380	72,570	-87
Non-federal	94,990	74,360	+28
Nonresidential construction	120,710	80,590	+50
Federal	86,470	54,820	+58
Non-federal	34,240	25,770	+33

¹Area includes Colorado, Montana, New Mexico, and Wyoming in addition to Twelfth District states.

²October 1944 is the most recent month for which data are available.

³Including additions, alterations, and repairs.

Source: U. S. Bureau of Labor Statistics.

Except in the Pacific Northwest, there were no critical shortages of labor for fruit and vegetable canning during the 1944 packing season, owing largely to the work of housewives and other persons not continuously in the labor market. A large proportion of the record California apricot crop totaling 327,000 tons was processed, and the canned pack exceeded 7.7 million cases, compared

PRODUCTION AND STOCKS OF CANNED FRUITS AND VEGETABLES— CALIFORNIA

(thousands of cases)

	Production			Canners stocks sold and unsold ¹		
	1944	1943	1942	1944	1943	1942
Apricots	7,701	1,125	2,998	819	119	543
Cherries	258	144	307	23	41	55
Fruit cocktail	6,167	5,621	5,562	1,194	1,553	1,699
Pears	1,419	1,747	1,893	230	272	805
Peaches	12,619	10,719	13,990	1,722	2,682	4,010
Other fruits	1,251	1,264	1,501	2	2	2
Asparagus	2,436	2,071	2,258	258	412	532
String beans	488	521	349	2	2	2
Peas	230	441	277	2	2	2
Spinach	2,625	2,135	2,685	165	271	263
Tomatoes	3,068	3,533	5,618	717	1,016	1,901
Tomato paste	3,378	2,437	2,305	2	2	2
Other tomato products ² ..	13,709	10,451	8,716	4,920	3,536	4,286
Other vegetables	837	594	777	2	2	2

¹End of calendar year. Exclusive of goods sold to Government.

²Not available.

³Excluding catsup and other tomato products in bottles.

Source: Canners League of California.

with an average of 2.8 million cases in 1934-43. The California canned peach pack was also above average, but probably would have been larger had it not been for scattered shortages of harvest and cannery workers. Complete data on the canned fruit and vegetable pack of Oregon and Washington are not yet available. Trade reports indicate, however, that the canned pear pack, normally the most important fruit pack in that area, increased somewhat over the 1943 total of 2.8 million cases but was beneath 1940-42 levels. The important pea pack declined from a record 7.0 million cases in 1943 to 6.1 million in 1944, but remained larger than in any previous year.

Under War Food Administration order, each canner and processor is required to set aside for Government

purchase a number of cases from the packs of certain fruits, vegetables, fruit juices, and vegetable juices. The volume of each pack to be set aside is a specified percentage of the canner's average pack in 1942-43. While complete figures of the 1944 canned packs are not available, it is likely that about half the national production of canned fruits, vegetables, and juices will be reserved for the Government, compared with 27 percent in 1943 and 31 percent in 1942.

Department Store Sales and Stocks

Consumer commodity purchases advanced substantially further in 1944, continuing the steady year-by-year increase beginning in 1938. The value of District department store sales was a tenth larger than in 1943, owing in large part to a spurt in buying during the last half of the year. During the twelve months ending June 1944 some slackening in the wartime upturn in trade had been apparent, although sales continued strong. In the following six months, however, department store trade advanced 9 percent, seasonal influences considered, over the first half of 1944, compared with increases of 4 percent from the last half of 1943 to the first half of 1944 and of only 2 percent from the first to the last half of 1943.

Inventories held by department stores at the end of 1944 were 9 percent below a year earlier. The decline reflected in part more active consumer buying during the Christmas shopping months, and partly more cautious stock replenishment, particularly of wartime quality goods. As measured in months' supply, that is, the number of months year-end stocks would last at the current rate of sales, inventories declined 20 percent over the year and 28 percent below the December 31, 1942 level.

It is of interest to note that, as measured in months' supply, furs constitute the only commodity of which stocks increased in both 1943 and 1944. Toilet articles are the only other commodity of which stocks on December 31, 1944, were above the levels of one and two years earlier.

Over the two-year period the most severe declines have occurred in supplies (as related to the current volume of sales) of cotton domestics and wash goods; corsets, brassieres, and girdles; silk hosiery, underwear, and piece goods; woolen dress goods and men's outer clothing; and

nearly all consumer durable goods. Aside from furs and cosmetics, mentioned above, commodities showing net increases over the two-year period are almost entirely confined to articles of women's, misses', or juniors' apparel or accessories. The increase in "radios, phonographs, and records" was largely in phonograph records, sheet music,

DEPARTMENT STORE INVENTORIES—TWELFTH DISTRICT
Percent change in months' supply on December 31, at the fourth quarter rate of sales

	1944 compared with 1943	1943 compared with 1942	1944 compared with 1942
Furs	+63	+10	+79
Blankets, comforters, spreads	+34	-38	-17
Toilet articles, drug sundries	+18	-10	+6
Infants' wear, infants' furniture	+15	-16	+3
Boys' clothing and furnishings	+10	-28	-21
Domestic floor coverings	+1	-52	-52
Millinery	-3	+50	+46
Linens, towels	-6	-37	-41
Draperies, curtains, etc.	-10	-35	-41
Silverware, jewelry, clocks, watches	-10	+35	+21
Handkerchiefs	-13	-24	-34
Women's and children's gloves	-14	-27	-35
Radios, phonographs, records	-16	+98	+67
China, glassware	-17	-42	-52
Housewares	-17	+8	-11
Stationery, books, magazines	-17	+6	-12
Negligees, robes, lounging apparel	-17	+38	+14
Lamps, shades	-19	-25	-39
Furniture, beds, etc.	-21	-18	-35
Housefurnishings—basement	-21	-24	-40
Toys and games, sporting goods, cameras ..	-21	-13	-31
Women's and misses' dresses	-22	+52	+18
Blouses, skirts, sportswear	-22	+33	+4
Notions	-24	-5	-28
Juniors' coats, suits, dresses	-24	+48	+12
Men's and boys' clothing and furnishings— basement	-26	-12	-35
Art needlework	-29	-20	-43
Women's and misses' coats and suits	-30	+63	+15
Handbags and small leather goods	-30	+91	+34
Women's, misses', juniors', infants' apparel —basement	-30	+12	-22
Men's furnishings, hats, caps	-30	-25	-48
Aprons, housedresses, uniforms	-31	+33	-8
Cotton wash goods	-31	-43	-61
Piece goods—basement	-31	-19	-44
Men's and boys' shoes and slippers	-31	+21	-17
Domestics, blankets, linens, etc.—basement ..	-32	-24	-48
Girls' wear	-34	-10	-40
Men's clothing	-34	-28	-53
Domestics, muslins, sheetings	-34	-55	-71
Women's and children's shoes	-35	+24	+20
Shoes—basement	-36	+71	+9
Silks, velvets, rayons	-38	-26	-54
Silk and muslin underwear, slips, etc.	-40	-28	-57
Knit underwear	-42	-26	-57
Luggage	-43	+20	-32
Corsets, brassieres	-46	-32	-63
Woolen dress goods	-47	-17	-56
Women's and children's hosiery	-56	-14	-62
Major household appliances	-59	+19	-52

etc., in departments in which stocks of radios and phonographs were exhausted early in the war period. Supplies of departments handling jewelry, watches, and similar items also increased.

Production and Employment—

Index numbers, 1935-39 average=100	With Seasonal Adjustment (1944—1943)			Without Seasonal Adjustment (1944—1943)			Annual Average 1944 1943
	Dec.	Nov.	Dec.	Dec.	Nov.	Dec.	
Industrial production ¹							
Lumber	151	134	164	116	128	126	134 133
Refined oils ²	—	—	—	241	239	212	226 194
Cement ²	159	118	r151	117	118	r112	124 154
Wheat flour ²	144	129	148	144	142	148	136 132
Petroleum ²	—	—	—	134	133	120	129 118
Electric power ²	436	433	476	412	410	450	438 407
Factory employment and payrolls ³							
Employment							
Twelfth District .....	..	271	r312	..	273	r313	.. r307
California	312	311	r370	312	313	r371	335 r363
Pacific Northwest .....	..	226	r242	..	228	r242	.. r238
Oregon .....	..	202	r212	..	201	r211	.. r216
Washington .....	..	241	260	..	243	261	.. 252
Intermountain .....	..	126	149	..	135	153	.. 159
Payrolls							
California	671	667	r729	671	668	r729	693 r705

¹ Daily average.
² 1923-25 average = 100.
³ Excludes fish, fruit, and vegetable canning.
r Revised.

Distribution and Trade—

Index numbers, 1935-39 daily average=100	With Seasonal Adjustment (1944—1943)			Without Seasonal Adjustment (1944—1943)			Annual Average 1944 1943
	Dec.	Nov.	Dec.	Dec.	Nov.	Dec.	
Department store sales (value) ¹							
Twelfth District	233	253	203	373	299	325	221 201
Southern California ..	241	267	206	384	306	328	228 201
Northern California ..	210	230	180	351	276	300	203 180
Portland	238	247	205	352	288	303	216 207
Western Washington ..	276	293	248	440	351	395	260 245
Eastern Washington and Northern Idaho	221	228	197	321	274	287	203 190
Phoenix	260	267	220	428	313	363	243 222
Carloadings (number) ²							
Total	119	r114	119	105	r114	105	115 109
Merchandise and misc.	141	r128	129	126	r128	115	130 119
Other	91	95	107	79	97	93	97 97

¹ Revised series. Tabulations of back figures for these and other cities and areas will be made available upon request.
² 1923-25 daily average = 100.
r Revised.

Agriculture

Agricultural production, aided by favorable weather and stimulated by prices well above those of prewar years, continued at a high level in 1944, although labor was scarce and supplies of farm equipment and fertilizer were tight. Cash receipts of District farmers from farm marketings increased about 10 percent over 1943 to a new high, but the increase was much smaller than from 1942 to 1943. Farm prices were only slightly higher than in 1943, in contrast to the sharp increase in previous war years. Most important farm products were price-supported and many were subject to ceiling prices as well. Civilian and Government demand remained heavy, and troublesome surpluses occurred during the year in the disposal of only a few Twelfth District commodities, including potatoes, eggs, and onions. The agricultural output of the nation in 1944 was distributed about as follows: 77 percent for domestic civilian consumption, 14 percent for the Army and Navy, and 9 percent for foreign relief and lend-lease.

Production

Agricultural production in the Twelfth District was at a high level last year. Increases over 1943 were especially pronounced in fruits, with the exception of grapes, and in many truck crops. The output of most field crops did not exceed that of 1943, except for a substantial increase in wheat production.

Detailed figures are not yet available for production of livestock and livestock products, but output of most items was well maintained. Milk and egg production attained new highs. The 1944 pig crop, however, was 40 percent under that of 1943. The number of sheep on farms and ranges has steadily declined during the war because of labor shortages, more profitable cattle operations, and fear of the effect of wool stockpiles upon postwar prices. District wool production has declined correspondingly. Beef cattle on District farms and ranches increased about 13 percent from the 1937-41 average to 1944, compared with a 30 percent increase in the nation as a whole. The peak appears to have been reached at the beginning of last year, and there was a decline in 1944 of about 4 percent in numbers of beef cattle in the District.

Nationally, the increase in agricultural production of about one-third over the prewar level has been achieved without marked expansion of either crop acreage or employment. Extremely favorable weather, increased mechanization allowing more intensive utilization of labor, longer working hours, superior varieties of crops, and better feeding practices have made the increase possible. Output has been stimulated by higher prices and price supports have been used in many cases as incentives to increased production. Another important factor influencing production has been the dissemination by Government agencies of information regarding wartime requirements and the establishment of state, county, and individual farm goals. (Twelfth District goals for 1945 were presented in the December issue of this REVIEW.)

Although the response in terms of most farm products

has been satisfactory, not all goals have been achieved. Despite the need for sugar and oils, sugar beet and flaxseed production in the District fell materially short of their goals in 1944. District flaxseed output was materially above prewar levels, however. Alfalfa seed production in 1944 was well below the 1933-42 average, and it is now being imported from Argentina.

PRODUCTION AND GROSS FARM VALUE, MAJOR FARM PRODUCTS— TWELFTH DISTRICT (all figures in thousands)

	Production			Value	
	1933-42 Average	1943	1944	1943	1944
Field and Seed Crops					
Alfalfa seed (bu.)...	383	268	218	\$ 5,457	\$ 4,668
Barley (bu.)...	51,955	80,701	79,133	83,235	83,549
Beans, dry (cwt.)...	6,194	7,991	6,104	46,649	37,116
Corn (bu.)...	8,490	8,885	7,803	12,285	11,060
Cotton, lint (bales)...	593	472	467	51,642	50,218
Cottonseed (tons)...	253	198	181	10,622	9,716
Flaxseed (bu.)...	1,942	5,421	3,350	17,049	10,518
Grain sorghums (bu.)...	5,324	5,985	6,096	8,667	6,824
Hay, tame (tons)...	11,840	13,331	13,433	244,851	245,329
Hops (lbs.)...	39,023	42,448	47,695	26,423	30,797
Oats (bu.)...	28,640	36,269	33,852	27,096	24,657
Peas, dry (cwt.)...	2,603	9,776	7,946	44,523	35,240
Potatoes (bu.)...	61,743	101,445	95,256	96,483	122,235
Rice (bu.)...	8,892	14,560	14,400	23,878	23,760
Sugar beets (tons)...	3,439	2,228	2,219	20,367	23,300
Wheat (bu.)...	111,697	108,434	136,203	141,359	182,150
Fruit and Nut Crops					
Apples ¹ (bu.)...	42,206	35,580	42,567	84,675	100,492
Apricots (tons)...	232	105	358	13,891	39,283
Avocados (tons)...	10	21	10	4,856	2,880
Cherries (tons)...	71	80	85	17,829	22,725
Figs, dried (dry tons)...	27	37	33	10,716	8,283
Figs, not dried (tons)...	12	23	18	3,151	2,322
Grapes (tons)...	2,157	2,808	2,381	170,558	185,875
Grapefruit (boxes)...	4,406	7,269	7,091	11,896	11,712
Lemons (boxes)...	10,970	11,038	13,321	36,094	33,302
Oranges (boxes)...	41,922	53,066	56,138	157,652	150,069
Olives (tons)...	38	57	46	10,146	9,200
Peaches (bu.)...	25,889	28,540	37,489	56,007	64,965
Pears (bu.)...	19,775	20,878	22,556	49,216	50,750
Plums (tons)...	64	76	94	12,844	11,868
Prunes, dried (dry tons)...	214	208	161	38,395	33,882
Prunes, not dried (tons)...	73	93	92	8,366	7,881
Almonds (tons)...	13	16	21	11,712	15,587
Filberts (tons)...	3	7	7	3,457	3,542
Walnuts (tons)...	55	64	69	30,398	31,646
Vegetables for Market					
Artichokes (40# bx.)...	890	826	816	2,313	2,652
Asparagus (24# cr.)...	3,175	4,528	3,814	11,001	9,372
Beans, snap (30# bu.)...	1,542	1,452	1,001	4,475	2,956
Broccoli (40# cr.)...	—	1,138	1,296	3,829	4,082
Cabbage (tons)...	82	154	212	6,536	6,798
Cantaloup (60# cr.)...	5,821	5,891	7,278	24,796	20,231
Carrots (50# bu.)...	8,861	18,983	15,681	25,905	24,457
Cauliflower (37# cr.)...	5,134	4,304	6,082	7,257	8,948
Celery (65# ½ cr.)...	5,934	5,926	5,661	15,558	14,559
Garlic (100# sacks)...	133	107	130	1,252	2,275
Honeydew melons					
(35# crates)...	2,489	2,511	3,122	6,647	5,688
Lettuce (70# cr.)...	18,656	21,860	26,180	73,816	67,190
Onions (50# sacks)...	7,341	9,478	15,948	13,683	14,901
Peas, green (30# bu.)...	5,382	3,738	3,893	9,703	8,643
Peppermint (lbs.)...	176	302	419	1,752	2,756
Peppers, green					
(25# bu.)...	568	652	566	1,369	1,217
Spinach (18# bu.)...	2,102	2,299	2,297	1,795	1,628
Strawberries					
(36# cr.)...	2,361	1,131	1,074	7,383	7,282
Tomatoes (53# bu.)...	4,682	6,524	5,191	20,523	19,305
Watermelons (no.)...	11,992	9,377	11,874	4,267	3,291
Vegetables for Processing (California only)					
Asparagus (tons)...	—	44	54	6,663	8,238
Beans, green (tons)...	—	9	10	1,107	1,377
Cucumbers (tons)...	—	11	13	429	576
Peas (tons)...	—	6	4	414	322
Peppers (tons)...	—	4	5	1,240	1,383
Spinach (tons)...	—	35	49	829	1,309
Tomatoes (tons)...	—	800	962	20,960	25,012

¹ Commercial crop only.
Source: United States Department of Agriculture.

Prices and Income

Prices received by farmers in 1944 were slightly higher than in 1943 and were about 80 percent above those of

1935-39. With a few exceptions, farm prices had begun to level off in 1943 as they reached points at which ceiling prices could be applied, and further increases were not appreciable. There are substantial differences, however, among the price gains of various commodities, relative both to prewar years and to parity. Crop prices, in general, have risen more than prices of livestock and their products. Increases in fruit prices since 1935-39 have been particularly marked.

SELECTED AGRICULTURAL PRICE AND RELATED INDEXES—
UNITED STATES
(1935-39=100)

	1940	1943	1944
Prices received by farmers.....	93	179	182
Food grains	89	157	175
Feed grains and hay.....	87	155	174
Fruit	88	215	258
Truck crops	109	240	208
Meat animals	93	176	168
Dairy products	100	163	166
Poultry and eggs	88	175	160
Prices paid by farmers, interest and taxes.....	98	126	133
Farm wage rates	107	224	259

Source: United States Department of Agriculture.

There were few substantial changes in 1944 over a year earlier in prices received for District field and seed crops, except for a considerable increase in sugar beet prices. Grape, lemon, and grapefruit prices continued to rise, but fresh deciduous fruit prices declined somewhat as their output increased. For the most part, dried fruit prices advanced in 1944 and were higher in relation to parity and to prewar prices than those of any other class of commodities. Their prices reflect incentive price supports established to insure sufficient supplies of dried fruit for military and other essential requirements. Dried fruit has a high food value per ton and is well adapted to overseas shipment. High price supports have been considered necessary to offset the increased demand for fresh fruits. Truck crop prices were down somewhat; District vegetables with lower prices included lettuce, melons, celery, and cauliflower. The output of these vegetables, except celery, increased appreciably. Prices of livestock and their products were about the same in 1944 as a year earlier.

Gross farm income in the Twelfth District was up 160 percent in 1944 over 1940 but only 10 percent over 1943. Reflecting relative price movements as well as changes in

CASH RECEIPTS FROM FARM MARKETINGS¹—TWELFTH DISTRICT
(thousands of dollars)

State	1940	1943	1944 ²
Arizona	53,115	128,735	120,000
California	651,086	1,502,917	1,635,000
Idaho	90,371	218,412	253,000
Nevada	13,851	24,575	24,000
Oregon	112,443	261,117	290,000
Utah	46,601	101,835	107,000
Washington	143,858	397,619	472,000
Twelfth District	1,111,325	2,635,210	2,901,000

¹ Exclusive of Government payments.

² Including estimated receipts for December.

Source: United States Department of Agriculture (data through November 1944).

production, the increase each year since 1940 in receipts from crop marketings has been consistently greater than that from livestock and livestock products. In large part

because of the importance of fruit and truck crops in the District, especially in the Pacific Coast states, gross farm income in the District has increased considerably more than in the country as a whole.

CASH RECEIPTS FROM CROPS, LIVESTOCK AND PRODUCTS, AND GOVERNMENT PAYMENTS—TWELFTH DISTRICT
(millions of dollars)

	1940	1941	1942	1943	1944
Crops	629	891	1,223	1,648	1,861 ¹
Livestock and products.....	482	617	820	987	1,040 ²
Government payments	49	42	41	46	

¹ Including estimates for December.

² Not available.

From 1940 to 1943, prices paid by farmers did not increase as rapidly as did prices received. Because of this favorable relationship and the increase in agricultural output, the net income of farm operators over the nation increased about 160 percent. Net income of farm operators was little if any higher in 1944 than in 1943, however, as increased gross receipts were offset by a further increase in prices of things that farmers buy and in wages paid. Net income of farm operators in the Twelfth District during the war period probably has increased as much as or more than in the nation.

Land Values

Farm real estate values continued their upward trend during 1944, with the largest regional increases occurring in the Pacific and Mountain states. For the Pacific states, the index of value per acre is now higher than at the 1920 peak. That a considerable proportion of purchases have been of a speculative nature is indicated by the fact that about one-fifth of all western sales in the third quarter of 1944 were resales of property acquired within the preceding two years.

New buyers have been purchasing with cash to an appreciable extent. Unlike the situation during and after the last war, the increase in land values to 1943 was accompanied by a decline in farm mortgage indebtedness, although there apparently was no further decline in 1944. Individuals have increased in relative importance as a source of mortgage credit. In a larger proportion of sales involving credit, sellers are presumably accepting and holding mortgages themselves.

Although still at a high level, the number of transfers appears to have declined during the latter part of 1944, as compared with the like period in 1943. This decline

FARM REAL ESTATE VALUES
(Value per acre, March 1940=100)

	United States	Mountain States	Pacific States
March 1941	101	103	101
March 1942	108	111	106
March 1943	118	121	117
March 1944	136	141	139
November 1944	143	151	153

Source: United States Department of Agriculture.

is hardly conclusive, but may indicate increasing caution in view of the uncertainties surrounding prices of farm products after the war on the one hand, and the current high prices of farm land on the other.

Banking and Credit

Monetary and banking developments during 1944 continued to be related primarily to Federal finances. Federal expenditures amounted to 97 billion dollars in 1944, of which 91 billion were for war purposes. War outlays increased 5 billion dollars over 1943, accounting for the increase of the same amount in total expenditures. Treasury receipts totaled 44 billion dollars, up 10 billion over a year ago. The difference between receipts and outlays, plus an 8 billion dollar increase in the Treasury general fund, meant a rise in the public debt of 62 billion dollars to a total of 230 billion.

Treasury securities were sold during the year principally through three war loan drives and the continuous sale of war savings bonds. Despite the fact that commercial banks were virtually excluded from direct subscription to new offerings (except Treasury bills), the net absorption of Government securities in 1944 by non-bank investors amounted to only about 38 billion dollars or 40 percent of the total increase in the public debt. This left 24 billion dollars which were added to the Government security holdings of commercial banks and the Federal Reserve System, about the same amount of increase as in 1943 but a slightly smaller proportion of the total increase in the public debt.

This continuing increase in bank credit was the major factor in the estimated 27 billion dollar increase in bank deposits and currency. The drain upon member bank reserves resulting from the increase in currency in circulation and the increase in required reserves associated with the rise in deposits made it necessary for the Federal Reserve System to provide additional reserves, largely through the purchase of Government securities.

In the Twelfth District, deposits and currency, bank reserves, and bank holdings of Government securities continued to rise, both absolutely and relative to the country as a whole. Net Treasury disbursements in the District again were the principal source of the additions to the money supply and to member bank reserves. The rate of expansion of credit in use, deposits and currency, and reserves slackened in 1944, however, and was less rapid than in 1942 and 1943.

Bank Deposits and Currency

Demand deposits of Twelfth District member banks continued to grow, although the rate of increase has been declining since 1942. At the year end, member bank demand deposits of individuals, partnerships, and corporations were up 16 percent over 1943, compared with an increase of 9 percent for the United States. (If adjustment were made for the Sixth War Loan, the year period increase in both the District and the nation would be somewhat larger, inasmuch as deposits are shifted to Treasury war loan deposit accounts during drives and return to other hands between drives. Three months had intervened between the last loan drive in 1943 and the end of the year, compared with a lapse of but two weeks in 1944.) Demand deposits have consistently grown more rapidly in the District than in the United States through-

out the war. This is a result of the continuing shift of funds into this District by the Treasury from elsewhere in the country. As war production and Treasury expenditures have leveled off, however, the difference in the rate of growth of demand deposits in the District and in the country as a whole has become less pronounced.

MEMBER BANK DEPOSITS AND EARNING ASSETS
(millions of dollars, as of December 31)

	Twelfth District			
	1941	1942	1943	1944
Demand deposits of individuals, partnerships and corporations	2,778	4,337	5,836	6,795
Time deposits ¹	2,390	2,581	3,183	4,110 ²
U. S. Government deposits	144	307	842	1,470 ²
Loans	2,451	2,170	2,106	2,255
U. S. Government securities	1,738	3,630	6,235	8,263
Other securities	542	538	557	698
Demand deposits of individuals, partnerships and corporations	33,061	42,139	51,820	56,266
Time deposits ¹	12,336	12,698	15,148	19,250 ²
U. S. Government deposits	1,760	7,980	9,564	20,000 ²
Loans	18,020	16,088	16,288	18,668
U. S. Government securities	19,539	37,546	52,948	67,669
Other securities	5,961	5,629	5,022	5,209

¹ Excluding interbank and U. S. Government deposits.

² Estimated.

Time deposits increased almost steadily in 1944 and were not materially affected by the war loan drives. In both the District and the nation, the increase in time deposits was less than 10 percent in 1942, the year in which demand deposits increased most rapidly, but in each of the two subsequent years, time deposits increased by from 20 to 30 percent, with greater increases in 1944 than in 1943.

Coin and currency in circulation also continued to increase throughout 1944 with only slight interruptions. Increased withdrawals of currency into circulation by the Army and Navy probably accounted in part for the greater District increase in 1944 than in 1943.

Member Bank Reserves

The flow of funds into the Twelfth District added to member bank reserves as well as to deposits. In 1944, the excess of Treasury disbursements, including direct military expenditures and expenditures for the products of war industry, over Treasury tax collections and security sales in the District was about the same in amount as in 1943. The year 1944 was the first since 1939 in which net Treasury expenditures did not increase by 50 percent or more over the previous year. Credit extended in the District by this bank, also a source of member bank reserves, increased by a smaller amount in 1944 than in 1943 or 1942. Credit has been extended principally through purchase of Treasury bills from member banks under repurchase option. The volume of such bills held by this bank fluctuated considerably during the year, as sales and repurchases were made by member banks to effectuate short run adjustments in their reserve positions.

The net addition to District member bank reserves during the year was far less than the total of net Treasury disbursements and the increase in Reserve bank credit. The increase in coin and currency in circulation reduced reserves correspondingly. The major factor which reduced reserves, however, was the excess of interdistrict payments over receipts, other than on Treasury account. Pay-

ments and transfers to other areas for industrial materials, equipment, consumer goods, insurance, securities, and the like have expanded along with increased Treasury disbursements in the District. They exceeded the similar movement of non-Federal funds into the District by a substantial amount in 1944, although the excess was somewhat less than in 1943. The net outward movement of these funds reduces reserves correspondingly, and, to the extent that payments or transfers are made with depositors' rather than with bank funds, results in a loss of deposits as well.

FACTORS AFFECTING TWELFTH DISTRICT MEMBER BANK

RESERVE BALANCES

(millions of dollars)

	1936-40 average	1941	1942 ¹	1943 ¹	1944
FACTORS WHICH INCREASED RESERVES					
United States Treasury Operations . . .	311	1,000	2,826	4,486	4,482
The amount by which Federal Government disbursements in the district exceeded collections.					
Reserve Bank Credit	1	4	107	214	98
The amount of increase in credit extended directly in the Twelfth District.					
Total of factors increasing Member bank reserves	312	1,004	3,933	4,700	4,580
FACTORS WHICH REDUCED RESERVES					
Interdistrict Payments and Transfers of Funds	180	596	1,980	3,751	3,534
The net amount paid to other districts in settlement of commercial and financial transactions (exclusive of Treasury operations).					
Demand for Currency	36	227	643	708	788
The amount by which holdings of cash by banks and the public increased.					
Other Federal Reserve Accounts	3	5	8	11	14
The amount of the increase in non-member bank accounts and other miscellaneous accounts at the Reserve bank.					
Total of factors decreasing member bank reserves	219	828	2,631	4,470	4,336
Member bank reserve balances at the Federal Reserve Bank of San Francisco increased	93	176	302	230	244

¹ Minor revisions made in some figures for those years.

The increase in District member bank reserves in 1944 was more or less equivalent to the increase in required reserves. Excess reserves, which declined through 1941, 1942, and most of 1943, showed little change in 1944, aside from fluctuations resulting from war loan drives, and no appreciable further decline is likely. Nationally, excess reserves also appear to be as low as is practicable. Reserve needs in 1945 will be met, for the most part, by further Reserve System purchases of Government securities, the principal method used in recent years, and by member bank borrowing from the Reserve Banks. It is likely, however, that member banks will make less use of the sale of Treasury bills to the System as a method of obtaining reserves. In the past year and a half there has been a considerable shift of Treasury bills from member banks to the Reserve System, and smaller amounts remain in member bank hands. Although the underlying movement in the volume of Treasury bills held by member banks in the nation has been downward since mid-1943, Treasury bill holdings of Twelfth District member banks at the end of the year were about where they had been a year earlier and only slightly below the mid-1943 level.

Loans and Investments

Member banks had increased their holdings of Government securities to 8,263 million dollars at the end of last year, an amount almost five times as large as that held at the end of 1941. The increase during the year was considerably less than in 1943, however. The growing importance of Government securities to District banks is indicated by the fact that on December 30, 1944, they constituted 74 percent of all earning assets, as against 37 percent at the end of 1941. The rising proportion of Governments has been a major factor in the reduction in the average rate of return upon loans and investments, but this decline in the rate of earnings has been more than offset by the expansion in total earning assets. Member bank earnings in 1944 probably again exceeded the previous year's high.

Along with the increase in total Government security holdings in the past three years there has been a marked increase in the proportion of short term Governments, which has been motivated to a considerable extent by the fear of a deposit shift out of industrial centers and out of the District as a whole after the war. As mentioned above, there was little change, however, in District bank holdings of Treasury bills in 1944; the growth in holdings of Governments occurred largely in certificates of indebtedness and Treasury notes, with some increase in bond holdings. This is in contrast to developments in the nation as a whole, where reports of member banks in leading cities showed substantial increases in bond holdings, while holdings of bills fell off markedly.

The decline in loans of District member banks which occurred during earlier war years was checked during 1943, and loan volume was relatively stable in 1944. Total loans of District member banks amounted to 2,255 million dollars at the year end. This was about 100 million dollars more than a year earlier, but most of the increase occurred in loans for purchasing Government securities, which were still high following the Sixth War Loan. In spite of their decline from the peak reached in early 1942, District bank loans have been high throughout the war, compared with prewar years. As of June 30, 1943, the call date on which total loans were lowest during the war, loan volume was higher than at any other mid-year from 1932 to 1939, inclusive.

Banking and Credit—

Condition items of weekly reporting member banks	Averages of Wednesday figures (millions of dollars)			
	Dec.	Nov.	Oct.	Dec.
Total loans	1,071	+ 88	+ 90	+ 76
Com'l, ind., & agric. loans	516	+ 13	+ 21	+ 9
Loans to finance transactions in:				
U. S. Government securities	109	+ 69	+ 65	+ 111
Other securities	53	+ 2	+ 0	+ 2
Real estate loans	297	+ 2	+ 2	+ 15
All other loans	96	+ 2	+ 2	+ 11
Total investments	4,926	+369	+405	+1,059
U. S. Government securities	4,554	+343	+370	+ 993
All other securities	372	+ 26	+ 35	+ 66
Adjusted demand deposits	2,997	+ 89	+ 59	+ 308
Time deposits	1,643	+ 17	+ 54	+ 320
United States Government deposits	980	+516	+321	+ 304
Coin and currency in circulation				
Total (changes only)	—	+ 57	+155	+ 796
Fed. Res. Notes of F. R. B. of S. F.	2,693	+ 54	+146	+ 776
Member bank reserves	1,690	+ 3	+ 88	+ 249

Little change took place in 1944 in most loan categories of weekly reporting member banks in leading cities, except in loans for purchasing Governments, which fluctuated in accordance with war loans. The volume of commercial, industrial, and agricultural loans remained fairly constant; and real estate loans of those banks were virtually unchanged, in contrast to their gradual decline through 1943. The decline in consumer loans of District banks also appears to have ended early in 1944. Consumer instalment loans rose gradually through most of the year to a point about 15 or 20 percent above their wartime low, but the amount outstanding was little more than a third of the December 1941 total.

The demand for bank credit by private borrowers has been checked during the war by restrictions upon the manufacture of many civilian products and by the improved cash position of many business enterprises, farmers, and consumers. War production has been largely Federally financed, although the banking system has participated to some extent in this Federal financing, through

Government guaranteed bank loans (V- and VT-loans) to war producers. Government guarantees are also included in provisions for two types of bank loans associated with the transition from a war to a peacetime economy, which were adopted during the year. To encourage loans in anticipation of final settlement of war contract claims (T-loans), Government guarantees may be extended by the Federal Reserve Banks, acting as fiscal agents of the United States on behalf of the War and Navy Departments and the Maritime Commission, to private financing institutions making such loans. All firms that have been or are engaged in war production are eligible borrowers. The Servicemen's Adjustment Act of 1944 includes provisions for partly guaranteed loans to veterans for the purchase or construction of homes, farms or farm equipment, and business property. Government guarantees are limited to 50 percent of the principal and a maximum of \$2,000 for any one individual, and interest rates may not exceed 4 percent nor may loan terms exceed twenty years.

Results of the Sixth War Loan Drive

THE Sixth War Loan Drive resulted in Government security sales of 21.6 billion dollars, 7.6 billion in excess of the goal and one billion more than sales in the fifth drive. During the same period, but apart from the drive, subscriptions of commercial banks having time deposits amounted to one billion dollars and subscriptions of Treasury investment accounts to 0.8 billion.

Sales to individuals totaled 5.9 billion dollars, 0.5 billion less than fifth drive sales but more than in any other drive. Series E bond sales accounted for about half of all sales to individuals. Sales in every other category except dealers and brokers, including insurance companies, savings banks, corporations and associations, and state and local governments, exceeded those of any other drive with the largest relative increase occurring in sales to savings banks. Subscriptions from dealers and brokers were below those of any previous drive.

In the Twelfth District, sales were also at a new high of 1.7 billion dollars, although the increase over the fifth drive was smaller than in the nation. District as well as national sales to individuals were down from the fifth drive but above those in earlier drives. In the Sixth War

Loan Drive, the District accounted for 8 percent of total sales in the country, 11 percent of sales to individuals, and 13 percent of sales of Series E bonds, about the same proportions as in the fifth drive. Relative to goals, Washington led Twelfth District states in total sales

SALES OF SECURITIES, SIXTH WAR LOAN DRIVE
UNITED STATES AND TWELFTH DISTRICT BY STATES
(millions of dollars)

	Total	Sales to individuals			Other sales ¹	
		Total	Series E	Series F & G		Other
United States.....	21,621	5,882	2,868	522	2,492	15,739
Twelfth District.....	1,715	639	378	61	200	1,076
Arizona.....	33	16	9	1	6	17
California.....	1,086	405	235	44	126	682
Idaho.....	34	19	12	1	6	15
Nevada.....	14	8	4	1	4	6
Oregon.....	157	63	41	5	17	95
Utah.....	56	23	14	1	8	34
Washington.....	335	106	65	8	32	229

¹Excluding sales to commercial banks and Treasury investment accounts, which were outside the loan drive.

Note: Figures do not necessarily add to totals because of rounding.

with 189 percent and in sales to others than individuals with 258 percent. Idaho and Nevada led in sales to individuals with 138 percent, and Arizona with 136 percent ranked ahead of the other six states in sales of Series E bonds.

Summary of National Business Conditions

Released January 25, 1945—Board of Governors of the Federal Reserve System

PRODUCTION and employment at factories increased somewhat in December. Retail buying was exceptionally active in December and the first half of January and wholesale commodity prices advanced.

INDUSTRIAL PRODUCTION

Total industrial production was maintained in December at the level of the preceding month, which was 232 percent of the 1935-39 average, according to the Board's index. Manufacturing output showed a slight rise because of increased output of war products, while minerals production declined, reflecting a sharp drop in coal production.

Gains over the November levels of activity in the machinery, transportation equipment, chemicals, petroleum refining, and rubber industries followed a renewed drive to expand output of critical munitions. Military events in December resulted in higher production schedules for munitions and in addition Federal measures to assure manpower for war output and to increase inductions into the armed services. Stringent limits were placed on the use of metals in civilian products under the programs initiated last fall.

Output of metals decreased somewhat further in December. In the first three weeks of January steel production continued to decline, partly because of severe weather conditions. Output of aluminum has been held at a level of about 90 million pounds per month since last autumn. The curtailment of aluminum sheet production during 1944 was reported in January to have led to a critical supply situation for this product in the light of the recently raised aircraft schedule.

Lumber production showed the usual seasonal decline in December. Output for the year 1944 was about 5 percent below 1943, and a further decline is expected in 1945 due to continued shortages of manpower and equipment.

Cotton consumption and output of manufactured foods were maintained in December at the level of the preceding month. There were declines in shoe production and in activity at paper mills.

Output of coal in December was about 12 percent below average production in the preceding 11 months. In order to assure supplies to meet the most essential needs, restrictions on less essential civilian uses of coal were instituted in January. Crude petroleum production was maintained in December in large volume, while output of iron ore showed the large seasonal decline customary in this month.

DISTRIBUTION

During the November-December Christmas shopping season department store sales rose to new high levels and were 15 percent larger than in the corresponding period a year ago. The high level of sales was maintained in the first half of January, taking into account usual seasonal changes in trade.

Carloadings of railroad freight declined more than usual in December. During the first two weeks of January loadings were 5 percent less than during the same period a year ago, owing to decreases in all classes of freight except miscellaneous shipments.

COMMODITY PRICES

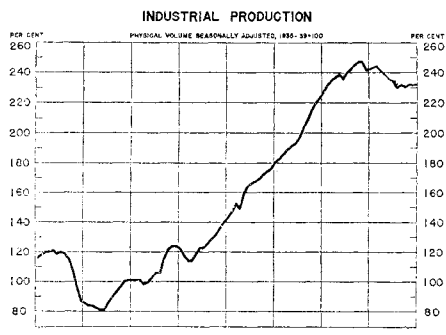
The general level of wholesale commodity prices advanced somewhat from the early part of December to the middle of January. Prices of most farm products were higher. After the middle of January grains and cotton declined but were still above early December levels. Steel scrap, which had been considerably below ceiling levels in the autumn, showed a sharp price rise. Prices of nonferrous metal scrap, cement, and various other industrial materials also increased in December and the early part of January.

BANK CREDIT

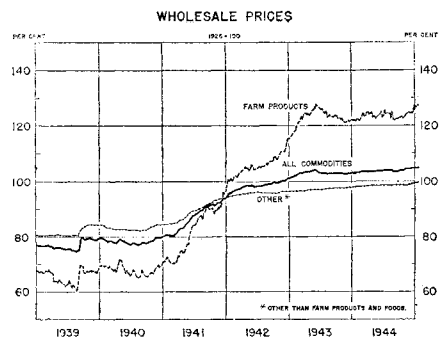
In the four weeks ended January 17, Government security holdings at weekly reporting member banks increased further. Loans for purchasing and carrying Government securities declined from the level reached during the Sixth War Loan Drive; most of the decline was in the loans to customers, but loans to brokers and dealers also were reduced moderately. The Government securities added to reporting member banks holdings in this period consisted mainly of bonds and bills.

Excess reserves held by member banks declined relatively little from the peak reached during the Sixth War Loan Drive. Reserve requirements increased, but member bank reserve balances also increased by approximately the same amount. Spending of Treasury balances and a reduction of nonmember deposits at Reserve Banks more than offset a decline in holdings of Government securities by the Federal Reserve Banks. Currency in circulation declined 130 million dollars during the three weeks following the Christmas peak, the largest decline for any corresponding period since early 1942.

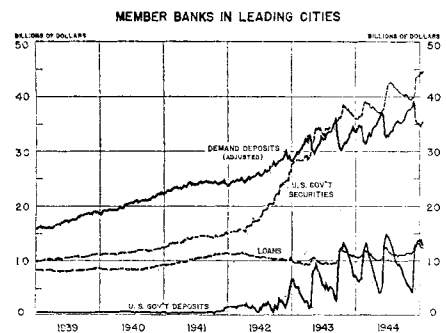
Following the Sixth War Loan Drive, adjusted demand deposits renewed their increase, and time deposits increased at a more rapid rate than demand deposits. Between war loan drives, time deposits in all banks have been increasing at the rate of almost three-quarters of a billion dollars a month.



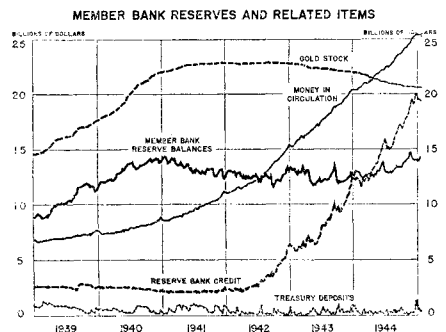
Federal Reserve index. Monthly figures, latest shown is for December.



Bureau of Labor Statistics' indexes. Weekly figures, latest shown are for week ending January 20.



Wednesday figures, latest shown are for January 17.



Demand deposits (adjusted) exclude U. S. Government and interbank deposits and collection items. Government securities include direct and guaranteed issues. Wednesday figures, latest shown are for January 17.